

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 99-111

February 1, 2000

MAINE PUBLIC UTILITIES COMMISSION  
Offer Bidding Procedure

SUMMARY OF STANDARD  
OFFER BIDS FOR CENTRAL  
MAINE POWER COMPANY,  
BANGOR HYDRO-ELECTRIC  
COMPANY AND MAINE PUBLIC  
SERVICE COMPANY

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**I. BACKGROUND**

During its 1997 session, the Legislature enacted comprehensive legislation to restructure Maine's electric utility industry. P.L. 1997, ch. 316 (codified at 35-A M.R.S.A. §§ 3201-3217). The legislation allows all electricity consumers in Maine to purchase electric power from among competing suppliers beginning March 1, 2000. Recognizing that, at least initially, not all consumers would purchase electric power from the competitive market, the Legislature required standard offer service to be available for these consumers. 35-A M.R.S.A. § 3212. It decided that the companies that would provide standard offer service should be chosen by the Commission through a bid process, and directed the Commission to promulgate rules to govern that process. In recognition of the importance of standard offer service to Maine consumers and the uncertain outcome of a bid process in an immature regional power market, the Legislature authorized the Commission to reject standard offer bids found not to be in the public interest and, if necessary, direct the utilities to provide standard offer service with power the utilities would purchase in the wholesale market.

Through Orders issued April 22, 1998 and June 29, 1999, the Commission adopted Chapter 301 of its rules. Docket Nos. 97-739, 98-576. Chapter 301 governs standard offer service and the provider selection process. Consistent with the provisions in Chapter 301, on August 2, 1999, the Commission issued three RFBs: one each to provide standard offer service to customers of Central Maine Power Company (CMP), Bangor Hydro-Electric Company (BHE), and Maine Public Service Company (MPS) (the initial RFBs). On October 1, 1999, the Commission received proposals in response to the initial RFBs. The proposals were reviewed by the Commission, its staff and a consultant retained to assist with the process.

On October 25, 1999, the Commission issued an Order in Docket No. 99-111 that provisionally designated standard offer providers for the service territory of MPS,<sup>1</sup> and rejected the bids received for the service territories of CMP and BHE. The Commission also terminated the initial RFB process, and initiated a new process to secure standard offer service for CMP and BHE customers (the second RFB). On October 26, 1999, a letter was sent to all bidders in the initial RFB processes and to all bidders in the concurrent utility RFB processes for the sale of the utilities' generation entitlements pursuant to Chapter 307 of the Commission's rules. The October 26 letter explained the second RFB process<sup>2</sup> and invited the bidders' participation.

On November 8, 1999, the Commission received proposals in response to the second RFB. The proposals were reviewed by the Commission, its staff and consultant. On December 3, 1999, the Commission issued further Orders in Docket No. 99-111 that designated a standard offer provider for the residential/small non-residential standard offer class in CMP's service territory. The Commission also rejected the bids received for the other two standard offer classes in CMP's service territory and all three standard offer classes in BHE's service territory. The Commission noted in the December 3 Orders that information about standard offer bids that were received and rejected would be forthcoming when contracts and other arrangements with winning standard offer bidders were finalized.

The contracts and necessary arrangements are now final. Therefore, in this document, we provide further information regarding the results of our standard offer RFB processes. To protect confidentiality, we do not disclose the identity of any bidder not chosen to provide standard offer service in Maine.

## **II. MPS SERVICE TERRITORY**

### **A. Residential/Small Non-Residential Standard Offer Class**

In response to the initial RFB, we received three proposals to provide standard offer service to the MPS residential/small non-residential standard offer class. One of these was, in essence, withdrawn when the bidder withdrew its application to become a licensed competitive provider in Maine. From the remaining two proposals, the Commission designated the lower price bidder, WPS Energy Services, Inc. (WPS-ESI), as the standard offer provider for the entire class and set the standard offer price equal to the WPS-ESI bid of 4.2906¢ per kWh.

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<sup>1</sup> The Commission finalized the designation of these providers by Order issued on November 18, 1999 in Docket No. 99-111.

<sup>2</sup> In the second RFB process, bidders were allowed to link the bids to provide standard offer service with bids to purchase the utilities' generation entitlements being sold in the Chapter 307 auctions.

B. Medium Non-Residential Standard Offer Class

We also received three proposals in the initial RFB process for the MPS medium non-residential class. As occurred for the residential/small non-residential class, one of the bidders withdrew its pending competitive provider license application and, in essence, its standard offer service proposal. The Commission accepted the remaining two proposals, designating both bidders as standard offer providers for the class. Specifically, the Commission designated WPS-ESI as the standard offer provider for 80%, and Energy Atlantic (EA) as the standard offer provider for 20%, of the requirements for the class. Based on the weighted average of the WPS-ESI and EA bids, the Commission set the standard offer price at 4.2549¢ per kWh.

C. Large Non-Residential Standard Offer Class

Three bidders also submitted proposals in response to the initial RFB for the MPS large non-residential standard offer class. As occurred for the other two classes, one of the bidders became ineligible when it withdrew its competitive provider license application. From the remaining two proposals, the Commission designated the lower price bidder, WPS-ESI, as the standard offer provider for the entire class and set the standard offer price at WPS-ESI's bid of 4.0038¢ per kWh.

### III. **CMP SERVICE TERRITORY**

A. Residential and Small Non-Residential Standard Offer Class

In response to the initial standard offer RFB, we received three proposals to provide standard offer service to the CMP residential/small non-residential standard offer class. One of the three proposals was conditioned upon other events. Because conditional proposals were explicitly prohibited by the terms of the initial RFB, the proposal was rejected. From the two remaining proposals, the best combination of bid prices and quantities, if accepted, would have resulted in a standard offer price for the CMP residential/small non-residential class in excess of 5¢ per kWh.

In response to the second RFB, we received two proposals for this class. One of these was to provide only 20% of the class's standard offer requirements at a price that exceeded 5.5¢ per kWh. The other proposal, which was from EA, was accepted.<sup>3</sup> The Commission designated EA as the standard offer provider for the entire class and set the standard offer price for CMP residential/small non-residential standard offer customers at EA's bid price of 4.089¢ per kWh.

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<sup>3</sup> The EA bid was linked with a bid by Engage Energy, US, LP to purchase the generation entitlements from CMP.

B. Medium Non-Residential Standard Offer Class

The initial RFB produced three proposals for the CMP medium non-residential standard offer class. Of these, two were non-conforming by virtue of the bidders' inability to satisfy the financial capability requirements of Chapter 301 and the RFB. The remaining proposal, if it had been accepted, would have resulted in a standard offer price for this class in excess of 9¢ per kWh.

The second RFB produced only one proposal for this class. The proposal was non-conforming because it did not state a price for standard offer service, but proposed to establish prices as a function of wholesale market indices.

C. Large Non-Residential Standard Offer Class

The Commission received no conforming proposals for standard offer service for CMP's large non-residential class. Although there were two proposals submitted, one each in the initial and second RFB processes, neither conformed to Chapter 301 and the RFB. In one case, the bidder was unable to provide any financial security for its bid. In the other, the bidder did not state a price for standard offer service, but proposed to establish prices as a function of wholesale market indices.

#### **IV. BHE SERVICE TERRITORY**

A. Residential and Small Non-Residential Standard Offer Class

We received two proposals for the BHE residential/small non-residential class in response to the initial standard offer RFB. For one of these proposals, the bidder was unable to provide any financial security for its bid. Thus, the proposal was non-conforming and rejected on this basis. The remaining proposal, if accepted, would have resulted in a standard offer price for BHE's residential and small non-residential customers in excess of 6.5¢ per kWh.

The second RFB resulted in a single proposal for this class. Similar to the outcome of the initial round, this proposal, if accepted, would have resulted in a standard offer price in excess of 6.5¢ per kWh.

B. Medium Non-Residential Standard Offer Class

We received three proposals in response to the initial RFB to provide standard offer service to BHE's medium non-residential customers. Two of these proposals were non-conforming because of the bidders' inability to satisfy the financial capability requirements of the RFB and Chapter 301. If the remaining proposal had been accepted, the standard offer service price for BHE's medium non-residential customers would exceed 6¢ per kWh.

The second RFB resulted in one proposal for this class. If accepted, the standard offer service price for BHE's medium non-residential customers would exceed 6¢ per kWh.

C. Large Non-Residential Standard Offer Class

We received only one proposal for BHE's large non-residential standard offer class in response to the initial RFB, and none in response to the second RFB. The bidder that submitted the single proposal for this class was unable to provide any financial security for its bid, and the Commission rejected it on that basis.

**V. CONCLUSION**

The results of our first bid process for retail standard offer service have been mixed. As evidence of the success of the bid process, more than 80% of electricity customers in Maine will have access to standard offer service provided directly by a retail provider. However, because our bid process did not yield reasonable, or in some cases any, retail standard offer bids for all customers, the Commission exercised the authority given to it by the Legislature and directed the utilities to provide standard offer service on an interim basis. In the near future, we will review the terms of our standard offer rules, our bidding and procurement processes and conditions in the New England market in an effort to have standard offer service from retail competitive providers available to all electricity customers in Maine.

Dated at Augusta, Maine, this 1st day of February, 2000.

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Dennis L. Keschl  
Administrative Director

Dated at Augusta, Maine, this    day of    , 2000.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director